

**REMARKS / ARGUMENTS**

Claims 1-8 and 15-31 remain pending and new claims 32-39 have been added.

Claims 1, 6, 9, 14 – 19, 21, 23, 24, 26 – 29, and 31 were rejected under 35 U.S.C. 102(e) as being anticipated by U.S. Patent 6,014,745 (“Ashe”). Claims 2, 3, 5, 7, 8, 10 – 13, 14, 20, 22, 25, and 30 were rejected under 35 U.S.C 103(a) as being obvious over Ashe. Claims 4 and 12 were rejected under Section 103(a) as being obvious over Ashe in view of McKinsey, “Protection of Intellectual Property, Law or Technology?” (“McKinsey”). This rejection has been made final.

The Applicant hereby amends claims 1-6, 15, 21, 24, and 26 to more explicitly claim certain features that applicant believes were implicitly present in these claims prior to their amendment. Claims 9 – 14 have been cancelled. New claims 32-39 are presented by this preliminary amendment. No new matter is added by this amendment.

In view of the Applicant’s claim amendments, and the Remarks / Arguments set forth below, the Applicant respectfully requests reconsideration of the above-described claim rejections and allowance of all pending claims.

**I. Claim Rejections Under Section 102**

In the Office Action, claims 1, 6, 9, 14 – 19, 21, 23, 24, 26 – 29, and 31 were rejected as being anticipated by Ashe. The Applicant respectfully traverses this rejection.

As amended, independent claims 1, 6, 9, 15, 21, 24, and 26 each requires that the transaction data be sent or received over a data network for decryption and/or authentication.

Ashe simply does not disclose, teach or suggest such limitations. Ashe discloses a system for locally receiving PIN information and locally decoding the PIN information. In Ashe, the user inputs his unencrypted PIN data to the system using a keyboard. The unencrypted PIN data input by the user is then read by the system and compared with an encrypted key stored in

the memory of a smart card. That is to say, in Ashe the system first reads the user input PIN data, then decrypts an encrypted key stored in the smart card. The decrypted key is then compared with the user-input PIN data. Only if there is a match is the transaction allowed to proceed. Ashe does not disclose or suggest a system or method for transmitting or receiving the PIN data or non-PIN data over a data network, such as the Internet. In addition, Ashe does not disclose the PIN data and the non-PIN data being decoded by two separate entities.

• In contrast to Ashe, the limitations of the amended independent claims of the present application include limitations directed to achieving the unique advantages of the Applicant's invention, which makes it possible to securely transmit both PIN and non-PIN data in cryptographic isolation over a public network such as the Internet. With the Applicant's invention, a user is able to transmit a PIN over the Internet without disclosing the PIN to an online merchant; yet at the same time, the online merchant can receive verification that the PIN is valid and therefore authenticate the user. This is neither taught or suggested by Ashe.

Since Ashe fails to disclose or suggest the limitations of amended independent claims 1, 6, , 15, 21, 24, and 26, the Applicant respectfully requests that the rejection of these claims under Section 102 be withdrawn.

Moreover, claims 14, 16 –19, 23, and 27 – 29 each depend from, and include all of the limitations of one of the above-mentioned independent claims. Thus, for the same reasons previously stated, claims 14, 16 –19, 23, and 27 – 29 are also not anticipated by Ashe, and their rejection under Section 102 should also be withdrawn.

III. Rejections Under Section 103

In the Office Action, claims 2, 3, 5, 7, 8, 10 – 13, 14, 20, 22, 25, and 30 were rejected as being obvious over Ashe. In the Office Action, claims 4 and 12 were rejected as being obvious over Ashe in view of McKinsey. It is respectfully submitted that in view of the amendments to the independent claims and the remarks set forth above, the present rejections under 35 U.S.C. § 103 have been obviated. Reconsideration of these rejections is respectfully requested.

Each of rejected claims 2, 3, 5, 7, 8, 20, 22, 25, and 30 depends from, and includes all of the limitations of one of amended independent claims 1, 6, 15, 21, 24, and 26, and are allowable at least for the reasons set forth above. It is respectfully submitted that the prior art of record fails to cure the noted deficiencies in Ashe as set forth above. Accordingly, the Applicant respectfully submits that claims 2, 3, 5, 7, 8, 20, 22, 25, and 30 define patentable subject matter over the art of record and that thus the rejection of these claims should be withdrawn.

IV. Conclusion

For the reasons set forth above, applicant respectfully submits that this application is now in condition for allowance. Reconsideration and prompt allowance of all pending claims, 1-8 and 15-39 are respectfully requested.

Respectfully submitted,

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